

January 18, 1951.
Insurance.

House File 98
By SCHWENGEL, SLOANE, KUESTER,
RYAN and GOODE.

Passed House, Date
Vote: Ayes..... Nays.....
Passed Senate, Date.....
Vote: Ayes..... Nays.....
Approved

A BILL FOR

An Act to amend section four hundred thirty-two point one
(432.1), Code 1950, relating to gross premium tax
payable by life insurance companies and associations.

Be It Enacted by the General Assembly of the State of Iowa:

1 Section 1. Section four hundred thirty-two point one
2 (432.1), Code 1950, is amended by inserting after the word
3 “excluded” in line twenty-four (24) thereof the following:
4 all premiums received from policies or contracts issued in
5 connection with a pension plan or profit sharing plan
6 qualified under section 23 (p) or section 165 (a) of the
7 Federal Internal Revenue Code as now or hereafter amended
8 and”.

EXPLANATION OF H. F. 98

The purpose of this bill is to exclude from the gross premium tax, pension plans qualified under section 23 (p) or section 165 (a) of the Federal Internal Revenue Code. This federal law exempts the contributions made to pay for these plans from federal income tax. This is in recognition of the social and economic value of the corporations providing old age security for their employees. On the whole, general premium tax revenues will not be affected, since these revenues are increasing at a rate of upward of a quarter of a million dollars a year. Total collections in 1940 were \$1,709,095.54 and in 1950 were \$4,052,078.44. Collections should reach close to four and a half million for the current year. This bill will enable Iowa companies to compete for this type of business. This type of business is largely localized in the industrial states and these states do not impose any tax on this type of annuity, or on any other type of annuity. However, under the retaliatory laws, since Iowa does have a tax on pension plan annuities and all other annuities, Iowa companies are required to pay 2% in all other states. The 2% differential makes it impossible for Iowa companies to compete with foreign companies in the states where this type of business flourishes. The bill would not affect the tax revenues from any type of annuity except pension plans.